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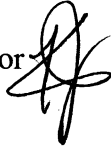
STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT & BUDGET
LANSING

MITCH IRWIN
DIRECTOR

March 11, 2003

MEMORANDUM

TO: All State Agencies

FROM: Kathryn Jones, Director
Acquisition Services 

SUBJECT: Gas and Electric 'Savings' Programs

Many organizations are approaching the State with proposals to 'save' the State considerable dollars with various energy savings programs, usually involving third party purchase agreements. Such organizations are targeting individual State facilities. The proposed programs need a close review to ensure they will work for the State and that the actual 'savings' projected are realistic and achievable. Agencies/individual State facilities should not agree or enroll in any of the proposed energy savings until the program has been reviewed. Any agency that is contacted by an energy marketer should immediately contact one of the people indicated at the end of this memorandum.

Acquisition Services is currently working on several initiatives on behalf of all State agencies to manage recent changes in utility/energy purchased under deregulation. Indicated below is a history of the State of Michigan's participation in purchasing energy under deregulation over the past several years.

Natural Gas Programs

Various natural gas transportation programs have been available for large industrial/commercial accounts in Michigan since the mid 1980's. Acquisition Services has managed such programs for 7 agencies and more than 150 accounts. The Michigan Public Service Commission has now approved gas customer choice programs for all entities. As a gas user, you have the option to purchase your gas supply needs from a supplier other than the local utility.

Acquisition Services continues to review and monitor programs being proposed by various energy companies. Facilities continue to be enrolled in customer choice programs as Acquisition Services determines, along with the agency, that the economic results will be a benefit to the State.

Electric Utility Restructuring

In the fall of 1999, Consumers Energy and Detroit Edison implemented Electric Choice Programs. Acquisition Services acquired access to 5 Megawatts of transmission capacity on Detroit Edison and 4 Megawatts of transmission capacity on Consumers Energy. An ITB was issued and only one alternative electric supplier responded. However, with the licensing procedures, franchise certification confusions, limited supply, and the pricing that was proposed, no contract was established because it was not in the best interest of the State.

Now, retail electricity markets are open. Acquisition Services continues to investigate and review competitive opportunities within the electric market. Facilities will be enrolled in programs as Acquisition Services determines, along with the agency, that the economic results will be a benefit to the State.

If you have any questions or concerns, please contact any of the following:

Doug Collier	Strategic Business Development, Acquisition Services	(517) 335-4804	CollierD1@Michigan.gov
Jim Konrad	Tactical Purchasing, Acquisition Services	(517) 373-0315	KonradJ@Michigan.gov
Larry Klayman	Tactical Purchasing, Acquisition Services	(517) 335-4805	KlaymanL@Michigan.gov
Nancy Moon *	MoonLighting Consulting	(248) 620-5223	MoonScreen@aol.com

- * Please note that Nancy Moon is an energy consultant that Acquisition Services has established a contract with to monitor the energy market and assist the State in making energy decisions.